

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Southeastern Livingston County Recreation Authority</u>	County <u>Livingston</u>
Audit Date June 30, 2004	Opinion Date August 12, 2004	Date Accountant Report Submitted To State: October 22, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

Southeastern Livingston County Recreation Authority

**Financial Report with Supplemental Information
June 30, 2004**

Southeastern Livingston County Recreation Authority

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Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Members of the Board
Southeastern Livingston County
Recreation Authority

We have audited the accompanying basic financial statements of the Southeastern Livingston County Recreation Authority as of June 30, 2004 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Southeastern Livingston County Recreation Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Southeastern Livingston County Recreation Authority as of June 30, 2004 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

Plante & Moran, PLLC

August 12, 2004

A member of



A worldwide association of independent accounting firms

Southeastern Livingston County Recreation Authority

Management's Discussion and Analysis

Our discussion and analysis of the Southeastern Livingston County Recreation Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Authority's financial statements.

Southeastern Livingston County Recreation Authority as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2004 (amounts in thousands). In future years, this table will also present prior year information, as well as comparative data from the statement of activities. Since this is the first year of implementation of GASB 34 (see Note 1), prior year information is not available.

Assets

Current assets	\$ 257
Noncurrent assets	<u>98</u>
Total assets	355

Liabilities - Current liabilities	<u>168</u>
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Net Assets

Invested in capital assets	12
Unrestricted	<u>175</u>
Total net assets	<u><u>\$ 187</u></u>

The Authority's combined net assets increased by approximately \$3,000 due to the overall increase in revenue. Program-related revenue increased by approximately \$52,000 (nearly 13 percent). This was due in part to a department-wide effort to increase each semester's program offerings (particular attention was given to expanding the youth offerings in the under 10 years of age category). Another contributing factor was an increase across the board in course fees. Fees were adjusted to offset inflation and higher facility costs. In addition, program registration increased as a result of population growth and the Authority's expanded marketing efforts. During the past year, the Authority initiated a new program brochure and Website and online registration. Nonprogram-related revenue decreased because of the loss of the Chamber Foundation contribution. Municipal contributions decreased approximately \$2,400 (approximately 2 percent) and private contributions (sponsorships) increased by more than \$7,800.

Expenditures increased from the prior year by approximately 14 percent in relation to the overall increase in revenues.

Southeastern Livingston County Recreation Authority

Management's Discussion and Analysis (Continued)

Governmental Activities

The Authority's total revenues increased during the current year by approximately \$79,000 due to various factors, including the increase in Adult and Youth Program revenues. Expenses increased during the year due primarily to contractual service expenses increasing, associated with the increase in revenues. Another significant factor was the reorganization of the department's operation structure.

General Fund Budgetary Highlights

Over the course of the year, the Authority amended the budget to take into account events during the year. The Authority overall stayed below budget, resulting in total expenditures being below the budget figures. This allowed the General Fund's fund balance to increase from a year ago to approximately \$189,000 at June 30, 2004.

Economic Factors and Next Year's Budgets and Rates

Southeastern Livingston County Recreation Authority's budget for next year calls for minor changes, realizing that the entities are experiencing budget cuts. The Authority will also work hard to maintain a budget that works for all entities.

Contacting the Authority's Management

This financial report is intended to provide our citizens, customers, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Authority's office.

Southeastern Livingston County Recreation Authority

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2004

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Cash (Note 3)	\$ 254,770	\$ -	\$ 254,770
Other current assets	2,014	-	2,014
Capital assets - Net (Note 4):			
Nondepreciated	-	32,092	32,092
Depreciated	-	66,251	66,251
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 256,784</u>	98,343	355,127
Liabilities and Fund Balance			
Liabilities			
Accrued and other liabilities	\$ 46,511	-	46,511
Deferred revenue	21,037	-	21,037
Compensated absences (Note 1)	-	14,173	14,173
Line of credit (Note 5)	-	86,429	86,429
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	67,548	100,602	168,150
Fund Balance - Unreserved and undesignated	<u>189,236</u>	<u>(189,236)</u>	
Total liabilities and fund balance	<u>\$ 256,784</u>		
Net Assets			
Invested in capital assets - Net of related debt		11,914	11,914
Unrestricted		175,063	175,063
		<u> </u>	<u> </u>
Total net assets		<u>\$ -</u>	<u>\$ 186,977</u>

Southeastern Livingston County Recreation Authority

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2004

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
Adult program fees and other charges	\$ 41,815	\$ -	\$ 41,815
Youth program fees and other charges	312,872	-	312,872
Grants, donations, and other contributions (Note 7)	173,194	-	173,194
Special activities revenue	32,573	-	32,573
Skate park revenue	18,513	-	18,513
Interest	454	-	454
Total revenue	579,421	-	579,421
Expenditures			
Salaries and payroll taxes	231,285	6,371	237,656
Employee benefits	58,365	-	58,365
Insurance	15,164	-	15,164
Special activities expenses	11,624	-	11,624
Skate park expenses	90,649	(86,429)	4,220
Recreation supplies	56,888	-	56,888
Office expenses	13,374	-	13,374
Bank charges	6,798	-	6,798
Postage expense	3,648	-	3,648
Contract services	115,693	-	115,693
Professional services	17,019	-	17,019
Printing and publishing	15,569	-	15,569
Repairs and maintenance	3,664	-	3,664
Capital outlay	22,962	(20,254)	2,708
Interest expense	1,019	-	1,019
Depreciation	-	12,892	12,892
Total expenditures	663,721	(87,420)	576,301
Excess of Revenue Over (Under) Expenditures	(84,300)	87,420	3,120
Other Financing Sources - Proceeds from issuance of debt	86,429	(86,429)	-
Change in Fund Balance/Net Assets	2,129	991	3,120
Fund Balance/Net Assets			
Beginning of year	187,107	(3,250)	183,857
End of year	<u>\$ 189,236</u>	<u>\$ (2,259)</u>	<u>\$ 186,977</u>

Southeastern Livingston County Recreation Authority

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies

The accounting policies of the Southeastern Livingston County Recreation Authority (the "Authority") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Authority:

Reporting Entity

Southeastern Livingston County Recreation Authority (the "Authority") was jointly incorporated by the City of Brighton, the Township of Brighton, and the Township of Green Oak. The Authority was incorporated in 2002, under provisions of Public Act 321. The Authority is governed by a board composed of two members from each of the above municipalities, two members from Brighton Area Schools, and one at-large member approved by other board members. The Authority was formed to provide recreational services to the respective communities.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Government Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units of the Authority that are to be included in the reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major fund).

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, charges for services, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Southeastern Livingston County Recreation Authority

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service payments and compensated absences are recorded only when payment is due.

Interest earned on cash deposits is recorded on the accrual basis.

The Authority reports the following major governmental fund:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority. General Fund activities are financed primarily from program charges and intergovernmental sources.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Assets, Liabilities, and Net Assets or Equity

Capital Assets - Capital assets, which include land, office equipment, and vehicle, are reported in the statement of net assets. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Office equipment	3 to 5 years
Skate park land improvements	10 years
Vehicle	5 years

Southeastern Livingston County Recreation Authority

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences - It is the Authority's policy to permit full-time employees to accumulate earned but unused sick and vacation pay benefits. All compensated absence pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The compensated absence balance was \$14,173 and \$7,802 as of June 30, 2004 and June 30, 2003, respectively. The entire amount accrued as of June 30, 2004 is current and will be paid within the next fiscal year.

Deferred Revenue - Governmental funds modified accrual basis financial statements and the government-wide full accrual financial statements report deferred revenue in connection with revenue that has not been earned since it relates to advance collection of program fees for programs which will be provided subsequent to the end of the current fiscal year.

Debt Obligations - In the government-wide financial statements, debt obligations are reported as liabilities in the statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Change in Accounting - During the current year, the Authority adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Changes to the Authority's financial statements as a result of GASB 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations has been included.
- The financial statements include a full accrual accounting for all of the Authority's activities.
- Capital assets in the governmental activities column include assets not previously accounted for by the Authority, as well as debt obligations, including compensated absences.
- The governmental funds now accrue a liability for compensated absences only to the extent that they come due for payment prior to year end.

Southeastern Livingston County Recreation Authority

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Related Parties - Brighton Area Schools pays certain personnel expenses on behalf of the Authority, which are repaid during the year.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balances and the net change in fund balances of the Authority's governmental funds differ from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the statement of the governmental fund balance sheet and the statement of revenue, expenditures, and change in fund balance. The following table shows the reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 189,236
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources, and are not reported in the funds	98,343
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Debt and accumulated compensated absences liabilities are not due and payable in the current period and are not reported in the funds	<u>(100,602)</u>
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Total Net Assets - Full Accrual Basis	<u><u>\$ 186,977</u></u>
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Southeastern Livingston County Recreation Authority

Notes to Financial Statements June 30, 2004

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Net Change in Fund Balances - Modified Accrual Basis \$ 2,129

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay:

Skate park expenses 86,429

Other capital outlay 20,254

Depreciation (12,892)

Proceeds from the issuance of the debt is revenue in the statement of revenue, expenditures, and changes in fund balance, but not in the statement of activities (where it increases long-term debt) (86,429)

Changes in accumulated compensated absences are recorded when earned in the statement of activities (6,371)

Change in Net Assets of Governmental Activities \$ 3,120

Note 3 - Deposits

The Authority's cash and cash equivalents consist exclusively of bank deposits. The deposits were reflected in the accounts of the bank of the Authority (without recognition of checks written but not yet cleared or of deposits in transit) at \$276,168 on June 30, 2004. Of this amount, \$100,000 was covered by federal depository insurance. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions an acceptable estimated risk level are used as depositories.

Southeastern Livingston County Recreation Authority

Notes to Financial Statements June 30, 2004

Note 4 - Capital Assets

Capital asset activity of the Authority's governmental activities was as follows:

Governmental Activities	Balance - Beginning of Year	Additions	Deletions	Balance - End of Year
Capital assets not being depreciated -				
Skate park land	\$ -	\$ 32,092	\$ -	\$ 32,092
Capital assets being depreciated:				
Office equipment	-	20,254	-	20,254
Skate park land improvements	-	54,337	-	54,337
Vehicle	8,000	-	-	8,000
Subtotal	8,000	74,591	-	82,591
Accumulated depreciation:				
Office equipment	-	5,858	-	5,858
Skate park land improvements	-	5,434	-	5,434
Vehicle	3,448	1,600	-	5,048
Subtotal	3,448	12,892	-	16,340
Net capital assets being depreciated	4,552	61,699	-	66,251
Net capital assets	<u>\$ 4,552</u>	<u>\$ 93,791</u>	<u>\$ -</u>	<u>\$ 98,343</u>

Note 5 - Line of Credit

The Authority has borrowings under a \$95,000 line of credit agreement, with interest payable monthly at the bank's prime rate (4.25 percent at June 30, 2004). The line of credit agreement expires on January 15, 2005. The outstanding balance on this note was \$86,429 at June 30, 2004. Upon audit the Authority will be investigating whether this borrowing complies with the Municipal Finance Act.

Note 6 - Budget Information

The annual budget is prepared by the Recreation Director and adopted by the Southeastern Livingston County Recreation Authority; subsequent amendments are approved by the Authority's board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Southeastern Livingston County Recreation Authority

Notes to Financial Statements June 30, 2004

Note 6 - Budget Information (Continued)

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America except that "proceeds from long-term debt" has been included in revenue rather than as "other financing sources." The budget has been adopted on a total revenue and expenditure basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The additional detail in this statement is shown in greater detail than the budget that was adopted and is used to provide additional analysis for management use only.

Note 7 - Grants and Donations

During the current year, the Authority received the following grants, donations, and contributions into the General Fund:

Cash contributions:

Brighton Township	\$ 59,128
City of Brighton	25,618
Genoa Township	32,262
Green Oak Township	29,330
Private sponsorship	<u>26,856</u>
Total	<u>\$ 173,194</u>

Note 8 - Defined Contribution Pension Plan

The Authority provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 10 percent of full-time employees' gross earnings. In accordance with these requirements, the Authority contributed \$14,400 during the year ended June 30, 2004. The Authority's contributions for each employee are fully vested after five years for employees who are employed after July 2003. The employees who were with the Authority before July 2003 were fully vested upon hire.

Southeastern Livingston County Recreation Authority

Notes to Financial Statements June 30, 2004

Note 9 - Risk Management

The Southeastern Livingston County Recreation Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for workers' compensation and employee medical claims and participates in the state pool program of the Michigan Municipal Risk Management Authority (the "MMRMA") for claims relating to general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past year.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the MMRMA itself.

Required Supplemental Information

Southeastern Livingston County Recreation Authority

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Adult program fees and other charges	\$ 28,300	\$ 40,000	\$ 41,815	\$ 1,815
Youth program fees and other charges	237,800	310,000	312,872	2,872
Grants, donations, and other contributions	156,696	167,338	173,194	5,856
Special activities revenue	38,750	31,500	32,573	1,073
Skate park revenue	61,068	20,000	18,513	(1,487)
Interest	-	1,500	454	(1,046)
Proceeds from issuance of debt	-	86,429	86,429	-
Total revenue	522,614	656,767	665,850	9,083
Expenditures				
Salaries and payroll taxes	249,476	234,800	231,285	3,515
Employee benefits	73,193	60,000	58,365	1,635
Insurance	14,725	15,500	15,164	336
Special activities expenses	20,875	11,800	11,624	176
Skate park expenses	-	90,729	90,649	80
Recreation supplies	53,760	57,000	56,888	112
Office expenses	3,940	13,200	13,374	(174)
Bank charges	925	7,200	6,798	402
Postage expense	8,345	4,000	3,648	352
Contract services	74,285	117,000	115,693	1,307
Professional services	-	17,200	17,019	181
Printing and publishing	9,760	15,000	15,569	(569)
Repairs and maintenance	4,500	3,800	3,664	136
Capital outlay	-	23,254	22,962	292
Interest expense	-	-	1,019	(1,019)
Total expenditures	513,784	670,483	663,721	6,762
Change in Fund Balance	8,830	(13,716)	2,129	\$ 15,845
Fund Balance - Beginning of year	187,107	187,107	187,107	
Fund Balance - End of year	\$ 195,937	\$ 173,391	\$ 189,236	

August 12, 2004

To the Members of the Board
Southeastern Livingston County
Recreation Authority
7878 Brighton Road
Brighton, MI 48116

Dear Board Members:

We have recently completed our audit of the financial statements of the Southeastern Livingston County Recreation Authority for the year ended June 30, 2004. As part of the audit, and in addition to the financial report, we offer the following comments and recommendations for your consideration. Most of these items are in essence items that relate to newer entities, and therefore show the "start-up or growing pains" of organizing a new Authority. Nonetheless, these present an opportunity for formalize and document various procedures that are in place and to demonstrate compliance with a variety of state laws regarding local governmental units.

- Local governments are required to obtain approval from the state when issuing debt. We noted during our testing, that there was a line of credit issued during the year for the purchase of the skate park. Based on our understanding of the requirements, this borrowing may not have met the requirements of the Municipal Finance Act. We encourage the Authority to review with its legal counsel the issuance of the debt, making sure the issuance is in compliance with state law.
- While reviewing and discussing various policies currently in place with the director, it was noted that SELCRA does not currently have written and board approved ethics, investment, credit card usage, and wire transfer policies.
- While testing fixed asset additions, we noted that the Authority currently does not have finalized approved bidding procedures, as well as an approved \$500 capitalization policy in place.
- During our testing, we noted that updated employee pay rates were not documented in either the personnel file or on a separate detailed listing.
- During our testing, we noted that check numbers often did not agree with the general ledger detail. In order to assist the director and the Authority during the review process of disbursements, both should agree.
- While reviewing the general ledger, we noted that capital asset purchases were capitalized, vs. expensed. For budgetary control and monitoring, we suggest that capital items be charged to "capital outlay" expenditure. At year-end, those items will be shown as capital assets on the full accrual financial statements.

- While reviewing the board minutes, it was not clear at what level of detail the board intended the budget is approved. We were informed that the budget is adopted on a total revenue and total expenditure basis. We suggest that the wording be included in the minutes.
- Governmental Accounting Standards Board (GASB) Statement 34 is now here! Although there are many differences with this new reporting model, the major additions are as follows:
 - Management Discussion and Analysis: Management is now required to give an overview of SELCRA's overall financial position and results of operations.
 - Dual-Perspective Financial Statements: The statements now adjust the traditional governmental modified accrual statements into a combined, full-accrual format. This allows a financial statement reader to see SELCRA's financial position from a current and longer term perspective including its capital assets, debt, and compensated absences accrual.
 - Budget Comparison: A financial statement reader will now be able to not only view the actual revenue and expenditures of SELCRA as compared to the final amended budget, but also as compared to the originally adopted budget.

The GASB believes that this new model will provide a more complete picture of the financial position of governmental units. The following items will need to be calculated by SELCRA in the future years for the dual-basis statements: fixed asset depreciation expense and accrual for compensated absences.

We would like to thank the entire staff of the Authority, in particular Julie Hall, for the cooperation we received in completing this year's audit. Because of the nature of the items, we have merely shown them in bullet point format without substantial explanation, however, please contact us if you have any questions or comments related to our suggestions, or if we can be of any help in their implementation.

Very truly yours,

PLANTE & MORAN, PLLC



Leslie J. Pulver



Martin J. Olejnik